
**Community & Economic Development &
Trade Committee**

SSB 5723

Brief Description: Providing support for small business assistance.

Sponsors: Senate Committee on Economic Development, Trade & Innovation (originally sponsored by Senators Kastama, Shin and Swecker).

Brief Summary of Substitute Bill

- Establishes a Business Assistance Account (Account) in the custody of the State Treasurer and authorizes its use by the Small Business Development Center (SBDC) to initiate and expand business assistance services.
- Requires the SBDC to integrate and coordinate its services with state economic and workforce development organizations.
- Requires that assessment of a bank's performance in meeting community credit needs include its sponsorship of SBDC offices and services.

Hearing Date: 3/23/09

Staff: Meg Van Schoorl (786-7105)

Background:

Washington Small Business Development Centers.

The Washington Small Business Development Center (SBDC) at Washington State University (WSU) has a statutory purpose of providing management and technical assistance, such as training, counseling, and research, to small businesses. The SBDC has business adviser centers at seven community colleges, 17 other locations, and is supported by both federal and state funds. The SBDC is a cooperative effort of the WSU, other educational institutions, economic development organizations, and the U.S. Small Business Administration.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Federal Community Reinvestment Act and the Washington Community Credit Needs Act.

The federal Community Reinvestment Act of 1977 (CRA) was enacted to encourage banks and thrifts to help meet the credit needs of all segments of their communities, including low-income and moderate-income neighborhoods. The CRA requires a periodic evaluation of the record of each bank and thrift in helping meet these credit needs. The evaluation is taken into account in considering an institution's applications for charters or for approval of bank mergers, acquisitions, and branch openings. The CRA examinations are conducted by the federal agencies that are responsible for regulating the various banks and thrifts.

In 1985 the Legislature adopted the Community Credit Needs Act (Act). The Act is similar to the CRA. In an intent section, the Legislature stated that banks "have a responsibility to meet the credit needs of the businesses and communities of Washington, consistent with safe and sound business practices and the free exercise of management discretion." The Director of the Department of Financial Institutions (Director) is required to investigate whether a bank is satisfactorily meeting the credit needs of its community. The Director must accept any CRA report or document that a bank must file with a federal agency in lieu of an investigation.

In making an assessment of a bank's performance, the Director must consider 11 named factors. As part of the examination report, the Director must include a summary of the results of the assessment and must annually assign a community reinvestment rating from "1" to "5" where "1" is excellent and "5" is poor performance.

The Director must review a bank's community reinvestment performance before approving any application for: a new branch; an acquisition, merger, conversion, or purchase of assets of another institution that is not required for solvency reasons; or, the exercise of any new power.

Summary of Bill:

The WSU Board of Regents must establish SBDC satellite offices as the SBDC administrator deems appropriate. The SBDC must work with the Economic Development Commission, the Department of Community, Trade and Economic Development, the Workforce Training and Education Coordinating Board, the Employment Security Department, the Higher Education Coordinating Board, and the State Board for Community and Technical Colleges to: integrate the SBDCs with other state economic and workforce development programs; coordinate services; and, facilitate joint entrepreneurial education, training, and assistance program development.

A Business Assistance Account (Account) is created in the State Treasurer's custody, from which expenditures may be made only for expansion of SBDC business assistance services. The Account is subject to allotment. Appropriations are not required for expenditures, but only the SBDC administrator or designee may authorize expenditures from the Account.

The SBDC may use the Account funds to support satellite offices, increase assistance including small business plan workshops and business counselors for small and start-up businesses, and develop new assistance programs.

A state chartered commercial bank's sponsorship of the SBDC offices and their business assistance services is added to the 11 factors that must be reviewed to determine if the bank is meeting the credit needs of its community.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.